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3 January 1982

MEMORANDUM FOR:

Chief, EURA/EE

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FROM

: Deputy Director for Intelligence

1. I have reviewed the attached draft and have two concerns:

-- First, the draft seems to project a "best case" assessment of what will happen in Yugoslavia over the next year or two. While it states a number of difficulties and problems that Yugoslavia will confront, it does not seem to me adequately to address what happens if some of those things go wrong or don't happen at all. I also have the impression of no real conclusions short of gradual changes in the leadership and growing influence of the military. In view of the economic and ethnic situation, and the problems cited in the paper itself this seems to me to be a very sanguine conclusion, particularly in the absence of providing to the policymaker an alternative, more worrisome scenario.

-- Second, I believe the assessment of the Soviet unwillingness to use economic leverage with Yugoslavia is ~~very~~ understated. The Soviets already are turning some economic screws on their closest friends in Eastern Europe for a variety of reasons some of which are not economic. It seems unrealistic to me to assume they would not do some of the same with Yugoslavia to encourage internal weakness while passing off such measures as motivated by economic need at home.

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2. In short, I would not go along with the conclusion that "Moscow will probably continue its relatively benign policy toward Yugoslavia". That puts the issue too simply.

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Robert J. Gates

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